

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

GENERAL ADJUSTMENT IN)
ELECTRIC RATES OF)
KENTUCKY POWER COMPANY)

CASE NO. 8734

O R D E R

IT IS ORDERED that the Consumer Protection Division in the Office of the Attorney General shall file an original and 12 copies of the following information with the Commission within 2 weeks of receipt of this data request. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 5. Where information requested herein has been provided elsewhere in this record, reference may be made to the specific location of said information in responding to this information request.

1. Explain how Mr. Rothschild developed his recommended capital structure containing 45% common equity, 50% long-term debt and 5% short-term debt. Provide any necessary workpapers and explain how these ratios were selected.

2. Explain how Mr. Rothschild determined that the addition of \$25 million of CWIP to rate base, and the resulting increase from 2.07 to 2.17 in the indenture coverage was necessary and/or appropriate.

3a. Mr. Rothschild's recommendations on capital structure and CWIP, shown on Schedule 15, Page 1, of his testimony, reflect AFUDC as a percent of earnings at 77.9 percent. Indicate what consideration was given this result by Mr. Rothschild in making his recommendations.

b. Provide the percentage of AFUDC to net income for the 11 companies shown on Rothschild Schedule 14 for calendar year 1981.

4a. On page 45 of his testimony, lines 11-13, Mr. Rothschild, in discussing the rate-making treatment for CWIP states "...whichever method is chosen, on a single project basis, the net present value of the earnings streams are equivalent." Is it Mr. Rothschild's intent to demonstrate this equivalency on Schedule 12 of his testimony which shows net present value calculations at 11.7 and 13.5 percent?

b. Explain how these particular discount rates were chosen and explain any assumptions made concerning future interest rates, cost of money, etc.

c. Provide the net present value revenue requirement under each method using discount rates of 6, 10 and 15 percent.

5. Provide all workpapers used to develop schedule 15, pages 1 through 5, of Mr. Rothschild's prefiled testimony.

6. Provide updates of Rothschild Schedule 15, given the following:

- a) page 1 scenario with a 15.5 percent return on equity
- b) page 2 scenario with a 15.5 percent return on equity
- c) page 4 scenario with a 15.5 percent return on equity
- d) page 5 scenario with a 15.5 percent return on equity

7. What percent return on equity would be necessary for Kentucky Power to achieve a 2.0 indenture coverage ratio, given its end-of-test-year capital structure and no CWIP added to the rate base?

8. Explain the development of the 12 percent cost of short-term debt, referred to on page 53 of Mr. Rothschild's prefiled testimony.

Done at Frankfort, Kentucky this 8th day of July, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary